

**SCHEDULE TE -
TAX ADJUSTMENT AND PARTIAL EXEMPTION**

DUE ON OR BEFORE			
[FOID]	YOUR ACCOUNT NO.		

If you are required to complete Schedule TE, attach it to your return.

PLEASE READ INSTRUCTIONS BEFORE PREPARING THIS SCHEDULE	COLUMN A	COLUMN B	COLUMN C	COLUMN D
	TRANSACTIONS STARTING 7/1/04	TRANSACTIONS FROM 7/15/91 to 12/31/00 and 1/1/02 to 6/30/04	TRANSACTIONS FROM 1/1/01 to 12/31/01	TOTAL OF COLUMNS A, B AND C
1. Enter purchase price of tangible personal property which is subject to CALIFORNIA STATE USE TAX WHICH HAS NOT BEEN PAID TO THE RETAILER.	.00	.00	.00	.00
2. (a) STATE TAX EXEMPTION WORKSHEET	AMOUNT	AMOUNT	AMOUNT	TOTAL
1.) MANUFACTURING EQUIPMENT EXEMPTION <i>(discontinued 12/31/03)</i>	.00	.00	.00	.00
2.) TELEPRODUCTION EXEMPTION	.00	.00	.00	.00
3.) FARM EQUIPMENT EXEMPTION	.00	.00	.00	.00
4.) DIESEL FUEL EXEMPTION FOR FARMING & FOOD PROCESSING EXEMPTION	.00	.00	.00	.00
5.) TIMBER HARVESTING EQUIPMENT & MACHINERY EXEMPTION	.00	.00	.00	.00
6.) RACEHORSE BREEDING STOCK EXEMPTION	.00	.00	.00	.00
TOTAL PARTIAL STATE TAX EXEMPTION <i>[add lines 2(a)(1) through 2(a)(6)]</i> Enter the result in Column D, Box 60 and the corresponding box 60 on the Deductions/Exemption Schedule on the back of your return.	.00	.00	.00	Box 60 .00
Multiply the totals of Columns A, B and C above by the corresponding rate and enter the results in Columns A, B and C below.	.8750	.8333	.8261	
ADJUSTED PARTIAL STATE TAX EXEMPTION AMOUNT (Add Columns A, B and C, enter the result in Column D, box 61 and copy this amount to line 2 on the front of your return.)	.00	.00	.00	Box 61 .00
3. Total amount subject to use tax <i>(subtract the adjusted amount on line 2(a) from line 1 in each column):</i> Copy amount from Column B to line 3(b) on the front of your return. Copy amount from Column D to line 3 on the front of your return.	.00	.00	.00	.00
TAX RATE <i>(multiply line 3 by this state sales and use tax rate)</i>	X 0.06	X 0.06	X 0.0575	
4. STATE TAX				
a) Adjusted for transactions subject to state sales and use tax rate starting 7/1/04.	.00			
b) Adjusted for transactions subject to state sales and use tax rate from 7/15/91 to 12/31/00 and 1/1/02 to 6/30/04.		.00		
c) Adjusted for transactions subject to state sales and use tax rate between 1/1/01 and 12/31/01.			.00	
d) Add lines 4(a) through 4(c); enter total in Column D and on line 4 on the front of your return.				.00

INSTRUCTIONS FOR PREPARING BOE-531-TE REV. 4 (7-04), SCHEDULE TE FOR THE BOE-401-E RETURN

The Schedule TE is designed to report transactions that occurred at different state tax rates. These transactions must be separated when there is an increase or decrease in the state portion of the sales and use tax rate.

The Schedule TE also has been revised to provide you with a worksheet to calculate the new and previously existing partial exemptions from the state tax portion of the Sales and Use Tax, due to the increase or decrease in the state tax rate.

COLUMN A: Enter transactions reported on your BOE-401-E return that occurred on or after 7/1/04.

COLUMN B: Enter transactions reported on your BOE-401-E that occurred from 7/15/91 to 12/31/00 and 1/1/02 to 6/30/04.

COLUMN C: Enter transactions reported on your BOE-401-E that occurred from 1/1/01 to 12/31/01.

COLUMN D: Enter the totals of Column A, Column B and Column C in Column D (Add: Column A + Column B + Column C = Column D).

Instructions for Column A, B, C and D: For lines 1-2, you can find an explanation of these entries in your BOE-401-E State, Local and District Consumer Use Tax Return

Instructions. For an explanation of the partial exemptions from the state rate, read "Partial State Tax Exemptions" below.

Add Column A and Column B and Column C across, and put the result in Column D.

Instructions for Line 3: Subtract line 2(a), Adjusted State Tax Exemptions from line 1 for each column. Transfer the amount on line 3, Column C to line 3(b) on the front of the return. Transfer the amount on line 3, Column D, to line 3 on the front of the return.

Instructions for Line 4(a): Multiply line 3, Column A by the tax rate in Column A, and enter the amount on line 4(a).

Instructions for Line 4(b): Multiply line 3, Column B by the tax rate in Column B, and enter the amount on line 4(b).

Instructions for Line 4(c): Multiply line 3, Column C by the tax rate in Column C, and enter the amount on line 4(c).

Instructions for Line 4(d): Add the amounts in line 4(a), line 4(b) and line 4(c) and enter the amount in Column D and on line 4 of the return. You must now complete lines 5 through line 19 of the return.

PARTIAL STATE TAX EXEMPTIONS

Line 2(a)(1). Manufacturer's Equipment Exemption: Enter the "Manufacturer's Equipment Exemption" amount on line 2(a)(1). You may claim this deduction if you are a qualified manufacturer who made a purchase subject to use tax, as described below.

In general, businesses that qualify for the manufacturer's exemption are those who first conducted business in California on or after January 1, 1994. **The Manufacturing Exemption discontinued as of 12/31/03.** The business must be involved in manufacturing, processing, refining, fabricating, recycling, or research and development. Furthermore, the business must apply to the state for its qualified status and receive approval for the exemption. Specific definitions of qualified persons and of property qualifying as exempt, and rules regarding required exemption certificates, are available from any Board office.

Line 2(a)(2). Teleproduction Equipment Exemption: Enter the "Teleproduction Equipment Exemption" amount on line 2(a)(2). Complete this line to claim an exemption for purchases made by qualified persons of tangible personal property used primarily

- In teleproduction or other postproduction services for film or video that include editing, film and video transfers, transcoding, dubbing, subtitling, credits, close captioning, audio production, special effects (visual or sound), graphics, or animation, or
- With respect to property with a useful life of at least one year, to maintain, repair, measure, or test property used primarily in teleproduction or other postproduction services.

A qualified person is a business that is primarily engaged in providing the specialized motion picture or video postproduction services described above.

This exemption does not apply to the sale or use of any tangible personal property that is used primarily in administration, general management, or marketing (used 50 percent or more of the time in one or more of those activities).

Line 2(a)(3). Farm Equipment & Machinery Exemption:

Enter the "Farm Equipment Exemption" amount on line 2(a)(3). Complete this line to claim a partial exemption for qualified sales and purchases of qualified farm equipment, machinery and their parts. It also applies to qualified lease payments for farm equipment and machinery paid on or after September 1, 2001.

Line 2(a)(4). Diesel Fuel Used in Farming and Food Processing Exemption:

Enter the "Diesel Fuel Exemption for Farming & Food Processing" amount on line 2(a)(4). Complete this line to claim a partial exemption for qualified sales and purchases of diesel fuel used in farming activities or food processing. The diesel fuel must be consumed during the activities of a farming business as set forth in Internal Revenue Code (IRC) 263A or food processing. Qualifying diesel fuel may be used in either a motor vehicle or other equipment, such as generators.

Line 2(a)(5). Timber Harvesting Machinery and Equipment Exemption:

Enter the "Timber Harvesting Equipment & Machinery Exemption" amount on line 2(a)(5). Complete this line to claim a partial exemption for qualified sales and purchases of Timber Harvesting Equipment and Machinery.

Line 2(a)(6). Racehorse Breeding Stock Exemption:

Enter the "Racehorse Breeding Stock" amount on line 2(a)(6). Complete this line to claim a partial exemption for qualified sales and purchases of "Racehorse Breeding Stock." "Racehorse Breeding Stock" means racehorses capable of and purchased solely for the purpose of breeding.

Call our Information Center at 800-400-7115 for additional information on these partial exemptions.